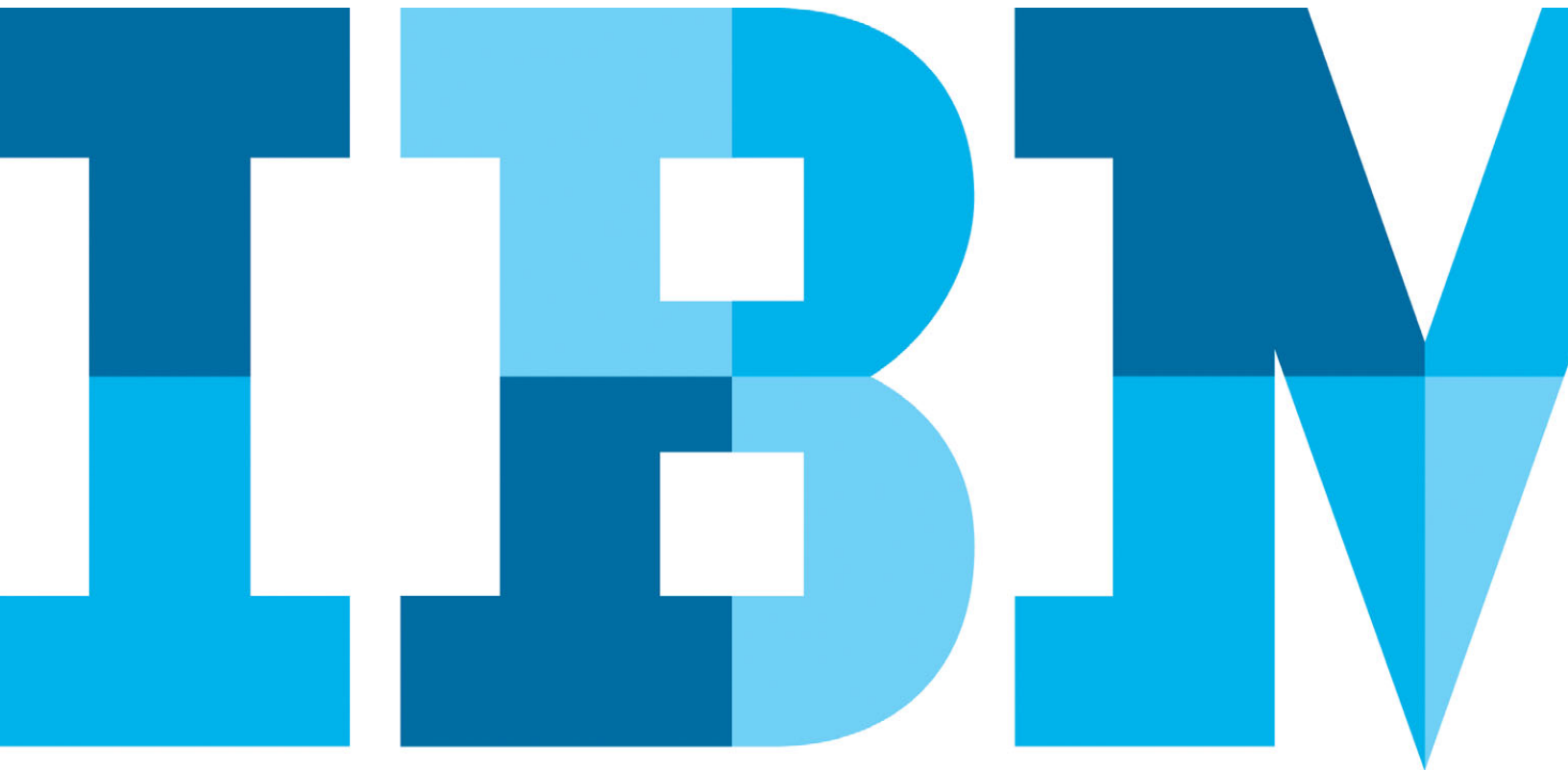


Five tips for improving the ROI of your software investments



It's estimated that companies may waste billions of dollars annually developing software products that ultimately underperform. That's because it's not always easy to know which software and products to invest in, which ones will bring the greatest value to the business. Identifying software investments that satisfy customer or end-user needs while delivering value to the business can be tricky. Plus, many companies lack the visibility they need to make the right decisions, such as when to abandon a project or how to select the right time for delivery to the marketplace.

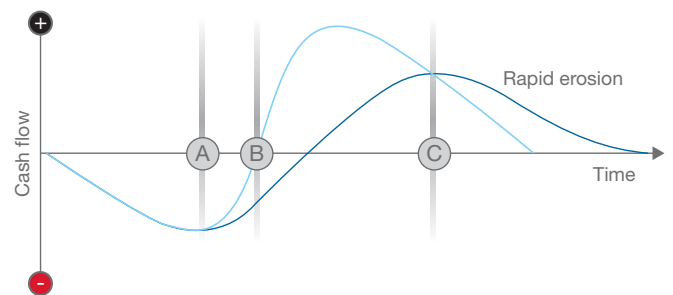
According to a recent study by IBM, "The Enterprise of the Future establishes processes and structures that promote innovation and transformation. It actively manages a portfolio of investments, protecting and supporting the fledgling ideas, while systematically weeding out the weak ones."¹

Effective execution of a software project is just as critical as the selection of the investment itself in achieving value to the business. This requires accurate, timely and actionable information to properly evaluate and measure the performance of a project—determining project success or failure. To help improve the return on investment (ROI) of your software investments, IBM recommends the following tips.

Develop a value-driven process for evaluating software investments

Investment proposals come from many directions, with different levels of value. Decisions on what proposals to pursue are often fraught with personal opinion and conjecture and too seldom based on objective criteria such as value to the business, risk or strategic alignment.

INVESTMENT PROFITABILITY CURVE



INVESTMENT LIFECYCLE

- Old lifecycle
- New lifecycle

Figure 1: To get the most out of software investments, it's essential to deliver products to the marketplace faster, at point A, so you can break even faster, at point B, and maximize your return on investment. Once competition enters the marketplace at point C, returns begin to erode, but more agile companies are already working on the next release.

When making software investment decisions, it's important to look at objective information that reflects a number of perspectives that are truly relevant to your specific business and industry. These perspectives can come from research data or from a variety of stakeholders, including your customers, your marketing department, your partners or analysts. Basically, you need to harness the wisdom of the crowd in its many forms. This information can give you insight into what the marketplace demands and how the marketplace is changing so you can identify opportunities and determine and prioritize which software investments will deliver the most value to the business.

An invaluable process for improved investment decision making is performing a cost-benefit or trade-off analysis. Often, there's simply too much information, on too many options, to process using static documentation such as spreadsheets. By using a portfolio management solution to aid with decision making, you can capture and visualize all of the factors involved, sort through the complexity and volume of relevant information, and avoid mistakes and omissions across the potential opportunities. Such solutions can also help you centralize the information you need to get to the decision-making state more quickly. When information is consolidated in a single repository, you can automate input collection and analysis to focus teams' efforts on determining the objectives and scope of the potential investment. And you can then weigh the benefits versus the costs to help ensure that you're evaluating investments based on the level of value delivered to your business. Automated tools can also help you quickly and easily make adjustments to portfolio priorities and in-flight projects as marketplace conditions or customer needs change.

Create a roadmap to the vision and set the right expectations

By analyzing and then determining the software investments that bring the most value to the business, you can then create a comprehensive roadmap to deliver against strategic initiatives at the right time. The roadmap is much more than a list of goals; it's a shared vision for the business, and it helps to pull the business together for cooperative action, aligning investments with business goals and objectives in a way that teams can see the activities that will help make the future a reality. Having this defined direction keeps teams on track and sets the right expectations.

The roadmap can help ensure that your investments are both valuable and achievable in terms of budget, resources and timeframe. It can also help your business and individual teams stay on track to deliver the expected results by enabling them to watch for resource spikes and track dependencies between capabilities. Of course, customer needs and marketplace demands are constantly changing, so roadmaps must be flexible and allow you to shift investment priorities quickly and easily so the entire organization can follow along.

Because it's based on objective data, the roadmap can help your teams understand what is expected of them and what the organization's business goals are. It can provide a visual representation of the resources that are required for the investments you need, the ultimate goals and what the costs will be. Bringing everyone to consensus helps set the right expectations for the immediate future and minimize surprises.

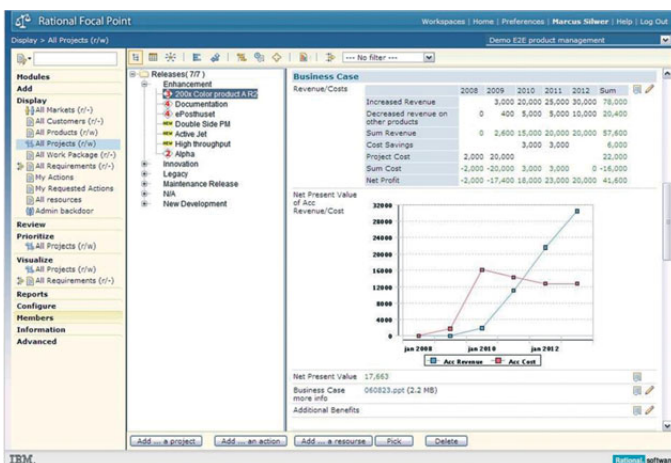


Figure 2: Weighing the benefits of an investment versus its costs can help you make the best portfolio decisions possible.

Strengthen and optimize project execution

Achieving a return on investment requires a delicate balance of many factors. Projects can easily fail to achieve their projected returns by exceeding budget, missing schedules or failing to deliver the required scope. After you've selected the right software investments, it's critical to execute the project successfully and keep it aligned with the roadmap.

To make sure you're executing your projects as effectively as possible, you need visibility into all aspects of the project, including views on your current resource utilization and available skills at the organizational level, budget versus actual costs, time constraints, and project activities. This visibility enables you to determine whether your existing resources are adequate for achieving your project objectives and whether the project is on track for on-time, on-budget, on-scope delivery. In addition, it can help you quickly identify resource shortages or surpluses, look at requirements and defects, track costs, and then make the necessary corrections—before the project falls behind schedule or goes over budget. By continually evaluating and validating costs, project scope, benefits and risks, project managers can stay on top of project status, allocate resources appropriately and establish realistic schedules, keeping the entire team synchronized with strategic objectives.

Project management solutions that connect project planning with development activities can help you gain the visibility needed for improved decision making and team collaboration. By improving team collaboration, coordination and communication, you help unify teams and facilitate greater transparency into projects and tasks across the various disciplines throughout the project lifecycle. This visibility also enables project managers to take corrective actions earlier in the project lifecycle.

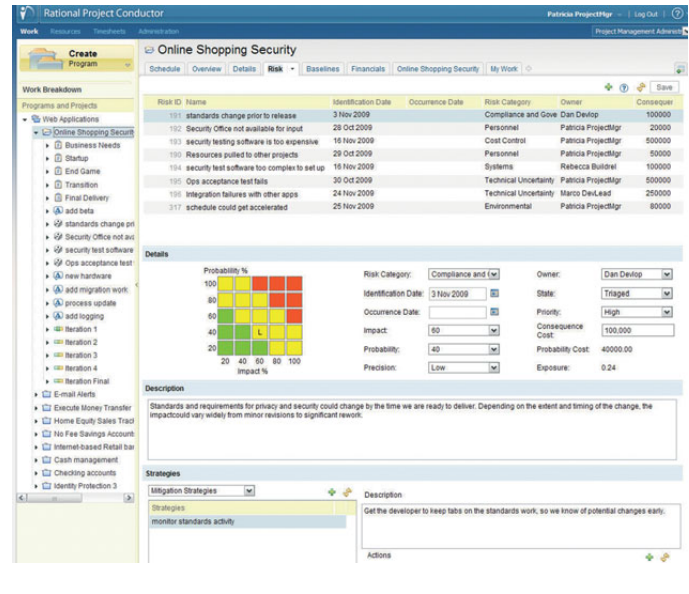


Figure 3: Effective risk assessment and management helps secure successful project delivery and facilitates compliance.

Continually evaluate the performance of your investments

There's nearly always pressure to do more with less and deliver software products to the marketplace sooner. So streamlining and maturing business processes is an important step. Lack of timely and relevant information about the progress and status of projects and processes can lead to poor performance and missed business goals. That's why business leaders must continually assess project performance to help ensure that they are indeed achieving the expected business results—and take quick corrective measures to existing processes if necessary. It's virtually impossible to improve processes if you don't have the right information about where problems exist.

To improve software and systems development and delivery capabilities, teams must have the ability to assess performance and track progress as well as identify and manage risk. Increased enterprise visibility and transparency attained using performance measurement and management solutions can help you spot problems before they affect projects. Having access to real-time, role-based, contextual data can help teams stay on top of project health and status more easily, identify problems earlier, and take corrective action as soon as possible.

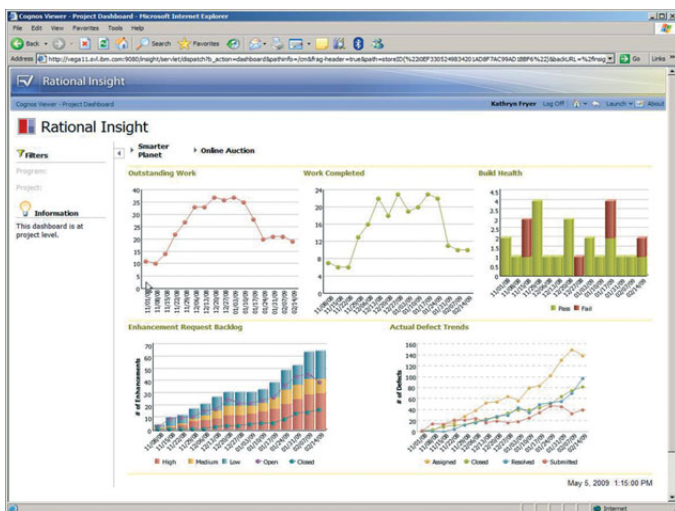


Figure 4: Greater visibility enables you to stay on top of project statuses more easily, so you can identify problems or potential issues as early as possible, before they become serious problems.

Focus on today, but plan for tomorrow

A highly competitive marketplace puts more pressure on companies to deliver innovation. Beating your competition to the marketplace can provide a serious margin advantage when launching new services and products. That's why it's essential

to drive innovation by not only optimizing what you have today but also planning for bigger changes tomorrow. In virtually every industry, companies need to make rapid, value-driven decisions to remain competitive while defining potential offerings that may be one or several years away. Even if you are first to develop an innovative new product or service, it's likely just a matter of time before you face competition and commoditization—and therefore declining profitability, so you need a continual process of innovation that delivers a sustainable competitive advantage. It's critical to find every possible edge so you can deliver a steady stream of new and in-demand products. Portfolio management solutions can help you use scenarios and feedback loops to predict and track upcoming trends and technologies so teams can determine which products or projects to launch now, in which marketplaces or segments, knowing that these products or projects will change in the future. These solutions can also help you create long-term plans to determine which strategic and innovative investments to focus on today to deliver the critical competitive advantage you need.

Transform the way you define and deliver value with IBM Rational solutions

IBM Rational® software includes product, portfolio, project and performance management solutions that can transform the way you define and deliver value. IBM solutions can help you gain insight into costs and performance through distinctive roadmapping and planning capabilities. The solutions also give you visibility across the application lifecycle, projects, portfolios, products and geographical boundaries. And they enable you to measure and improve project outcomes by using best practice guidance and measurements that support traditional or agile methodologies, leading to a significant return on your investment.

If you need to ...	IBM offers ...	Which can help you ...
Develop a value-driven process for evaluating investments	IBM Rational Focal Point™ software	<ul style="list-style-type: none"> • Choose which proposals to pursue using objective data • Evaluate, compare and visualize potential portfolios against established criteria • Collect stakeholder input in a single interface and perform cost-benefit analyses • Develop what-if scenarios using input from different stakeholders
Create a roadmap and set the right expectations	Rational Focal Point software	<ul style="list-style-type: none"> • Generate an optimized roadmap based on business vision • Identify when change is needed and evaluate trade-offs • Assess the effect of change to determine the optimal solutions
Strengthen and optimize project execution	IBM Rational Project Conductor software	<ul style="list-style-type: none"> • Identify and continually validate cost, scope, benefits and risks so you can redeploy resources as needed based on changing priorities • Reduce delays and mistakes with real-time, in-context collaboration across disciplines or the application lifecycle • Connect project planning with development activities by integrating Rational Project Conductor software with IBM Rational Team Concert™ software • Leverage flexible and customizable processes and best practices for more successful project execution

If you need to ...	IBM offers ...	Which can help you ...
<p>Continually evaluate the performance of your software investments</p>	<p>IBM Rational Insight software</p>	<ul style="list-style-type: none"> • Obtain greater visibility into and control over risks, status and trends, allowing for corrective actions when necessary and helping teams choose the right course to success • Automate collection, measurement and analysis of real-time data for reduced errors and more complete information for informed decision making • Optimize measures and metrics by specific role, providing relevant, timely and actionable information • Gain visibility into your data across projects, products and geographical boundaries to monitor status and progress in a single view • Assess, measure and improve results with continual process improvement with the adoption of best practice frameworks
<p>Focus on today but plan for tomorrow</p>	<p>Rational Focal Point software</p>	<ul style="list-style-type: none"> • Use visualization, prioritization, and unique roadmapping and planning capabilities to help develop plans that are innovative, valuable and achievable • Align enterprise and project-level decisions with financial and marketplace needs • Blueprint and align business and technology architectures by integrating Rational Focal Point software with IBM Rational System Architect software • Drive faster, better-informed, strategic and tactical enterprise decisions with validated results • Analyze the impact of change across business processes, infrastructure, applications and more • Execute effective planning and collaboration with prioritized investments to support your future business goals

For more information

To learn more about how IBM can help you make better software investments, contact your IBM representative or IBM Business Partner, or visit:

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¹ IBM, *The Enterprise of the Future: IBM Global CEO Study*, May 2008.



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